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313 N. Figueroa Street, Suite 912  
Los Angeles, CA 90012

Tel: (213) 240-8101  
Fax: (213) 481-0503

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June 07, 2011

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF AMENDMENT TO PHARMACEUTICAL REVERSE  
DISTRIBUTION SERVICES AGREEMENT  
(ALL SUPERVISORIAL DISTRICTS)  
(3 VOTES)**

**SUBJECT**

Request approval of an amendment to extend the Agreement with EXP Pharmaceutical Waste Management, Inc. for pharmaceutical reverse distribution services at various Los Angeles County pharmacies to provide the Department of Health Services additional time to perform a new solicitation.

**IT IS RECOMMENDED THAT YOUR BOARD:**

Authorize the Director of Health Services, or his designee, to execute Amendment No. 1 to Agreement No. H-702033 with EXP Pharmaceutical Waste Management, Inc. (EXP), effective upon Board approval, to extend the term for the period July 1, 2011 through June 30, 2012, to provide pharmaceutical reverse distribution services to pharmacies within the Department of Health Services (DHS), Sheriff's Department, Department of Mental Health, Probation Department, and Department of Public Health (Attachment A).

## **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

Approval of the recommended action will allow the Director, or his designee, to execute an amendment, substantially similar to Exhibit I, to extend the term of the current Agreement with EXP for one year. The current Agreement expires June 30, 2011.

Basic pharmaceutical reverse distribution services include, but are not limited to: 1) sorting pharmaceuticals/drugs by manufacturer, lot number, and expiration date; 2) generating return inventory reports and all necessary Drug Enforcement Agency (DEA) forms; 3) providing all packaging materials and the boxing, packaging, and mailing/shipping of pharmaceuticals/drugs for return shipment to each manufacturer; 4) preparing returned drug summary reports with anticipated return value/credit; and 5) disposing of all non-returnable pharmaceuticals/drugs, when requested.

In 2006 EXP was identified as the sole reverse distributor located in California and licensed by the California State Board of Pharmacy as a Pharmacy Wholesaler. However, since the current Agreement was executed, more service providers have entered the industry and show the ability to compete for an Agreement to provide these services. DHS is conducting a marketplace analysis to locate additional service providers. The extension is necessary to complete this review and perform a solicitation process. The Department is utilizing the County Master Agreement for medical hazardous waste services as well as its membership in group purchasing organizations, such as the University HealthSystem Consortium, to help identify potential service providers.

## **Implementation of Strategic Plan Goals**

The recommended action supports Goal 4, Health and Mental Health, of the County's Strategic Plan.

## **FISCAL IMPACT/FINANCING**

All service fees associated with the reverse distribution activities provided by EXP are deducted from the manufacturers' credit compensation designated for each individual County pharmacy operation.

EXP receives nine percent to 10 percent (determined by whether the drug being handled is a non-controlled or controlled substance) of the total refund received from pharmaceutical/drug manufacturers by participating County pharmacies, and \$0.69 per pound for disposal of non-hazardous waste and \$2.95 per pound for disposal of hazardous waste for the pharmaceutical/drug products that do not qualify for credit and cannot be reverse distributed. EXP is limited to receiving no more than 15 percent of the total refund received by a County pharmacy for all services performed as a contractor. The only compensation to EXP for these services is the percentage withheld from the refunds received from pharmaceutical/drug manufacturers. Accordingly, this Agreement does not increase the Department's expenses.

## **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

On April 20, 2006 your Board approved an Agreement with EXP to provide County pharmacies with reverse distribution services, effective July 1, 2006 through June 30, 2011.

Supply orders and use of supplies are adjusted by a County pharmacy from time to time to ensure that the majority of supplies held by the pharmacy are used before they reach their packaging expiration date. County pharmacies must order pharmaceutical/drug products in large quantities and

maintain par levels of pharmaceuticals/drugs at all times to properly serve the patients and for contingency purposes at each of its locations, including but not limited to, maintaining pharmaceuticals/drugs on hospital wards, clinics, and outpatient facilities. Such large quantities of pharmaceutical/drug stock needs to be monitored and adjusted to optimize pharmaceutical par levels without exceeding packaging expiration dates and thereby causing the pharmaceutical/drugs to become non-dispensable.

Under the Controlled Substance Act of 1970, the DEA assigned numbers to drugs based on the amount of narcotic, or non-narcotic-like substances, present in a drug and its level of habit forming or addicting propensities. The scheduled numbers are "I" through "V" with "II" being the strongest and "I" being illegal. The handling of scheduled drugs requires a DEA license and the use of special control and inventory procedures prescribed by federal and state regulations. (Absence of such numbers on drug labels renders the drug non-scheduled [non-controlled] which can be handled and processed without DEA restrictions). EXP is a DEA-registered reverse distributor, licensed to handle all Scheduled (I through V) drugs and controlled substances, and also possesses other related licenses and permits (i.e., Environmental Protection Agency license, California Department of Health Services permit, and Weightmaster license) required to provide pharmaceutical reverse distribution services (including biohazardous waste disposal and non-returnable pharmaceutical/drug products).

It should be noted that not all pharmaceuticals/drugs are returnable for credit or replacement. Non-returnable pharmaceutical/drugs are considered pharmaceutical medical waste (divided into non-hazardous waste [usually non-scheduled pharmaceutical/drugs] and hazardous waste [usually scheduled/controlled pharmaceutical/drugs]).

The Department has the option to use EXP to directly dispose of both non-hazardous and hazardous pharmaceutical medical waste under this Agreement, since EXP offers a more secure method of disposal than using the Department's current biohazardous waste contractors, especially when disposing scheduled/controlled pharmaceuticals/drugs. EXP will only dispose of pharmaceutical medical waste that is a by-product of reverse distribution process.

The amendment has been approved as to form by County Counsel.

### **CONTRACTING PROCESS**

Not applicable.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Approval of the recommendation will allow pharmaceutical reverse distribution services to continue without any disruption to service.

The Honorable Board of Supervisors

6/7/2011

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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mitchell Katz". The signature is written in a cursive, flowing style.

Mitchell H. Katz, M.D.

Director

MHK:rb

Enclosures

c: Chief Executive Office  
County Counsel  
Executive Office, Board of Supervisors  
Department of Public Health  
Department of Mental Health  
Sheriff's Department  
Probation Department  
She

**COUNTY OF LOS ANGELES – DEPARTMENT OF HEALTH SERVICES  
PHARMACY ROSTER**

<b>Member</b>	<b>Contact Number</b>	<b>Facility</b>
Brian Joyo <a href="mailto:bjoyo@dhs.lacounty.gov">bjoyo@dhs.lacounty.gov</a>	(562) 401-7239	<b>Rancho</b> 7601 E. Imperial Hwy. Downey, CA 90242
Khanh Le <a href="mailto:kle@dhs.lacounty.gov">kle@dhs.lacounty.gov</a>	(626) 579-8416	<b>El Monte</b> 10953 Ramona Blvd. El Monte, CA 91731
Nadrine Balady-Bouziane <a href="mailto:nbalady@dhs.lacounty.gov">nbalady@dhs.lacounty.gov</a>	(661) 945-8456	<b>High Desert</b> 44900 N. 60 <sup>th</sup> St. West Lancaster, CA 93536
Peter Chen <a href="mailto:pchen@dhs.lacounty.gov">pchen@dhs.lacounty.gov</a>	(562) 599-8723	<b>Long Beach</b> 1333 Chestnut `Ave. Long Beach, CA 90813
Clementina Rodriguez <a href="mailto:clrodriguez@dhs.lacounty.gov">clrodriguez@dhs.lacounty.gov</a> Pharmacy Supervisor	(323) 364-3065	<b>Humphrey</b> 5850 S. Main St. Los Angeles, CA 90003
Russell Kim (Interim) <a href="mailto:rukim@dhs.lacounty.gov">rukim@dhs.lacounty.gov</a>	(310) 668-3961	<b>MLK-MACC</b> 12021 S. Wilmington Ave Los Angeles, CA 90059
Sandra Hudson <a href="mailto:shudson@dhs.lacounty.gov">shudson@dhs.lacounty.gov</a>	(213) 744-3934	<b>Hudson</b> 2829 S. Grand Avenue Los Angeles, CA 90007
Sanford (Sandy) Melnick <a href="mailto:smelnick@dhs.lacounty.gov">smelnick@dhs.lacounty.gov</a>	(323) 226-6021	<b>LAC+USC</b> 1200 N. State St. Los Angeles, CA 90033
Steve Lee <a href="mailto:stlee@dhs.lacounty.gov">stlee@dhs.lacounty.gov</a>	(818) 364-3059	<b>Olive View</b> 14445 Olive View Drive Sylmar, CA 91342
Teresa Lau <a href="mailto:TeLau@dhs.lacounty.gov">TeLau@dhs.lacounty.gov</a>	(323) 780-2399	<b>Roybal</b> 2455 Fetterly Ave Los Angeles, CA
Wesley Kamikawa <a href="mailto:wkamikawa@dhs.lacounty.gov">wkamikawa@dhs.lacounty.gov</a>	(310) 222-2359	<b>Harbor/UCLA</b> 1000 W. Carson St. Torrance, CA 90509
Kuldev Singh, <a href="mailto:ksingh@lasd.org">ksingh@lasd.org</a>	(213) 893-5514	<b>Sheriff Dept.</b> 450 Bauchet St., Rm 450 Los Angeles, CA 90012
Wayland Chan <a href="mailto:wchan@lacdmh.gov">wchan@lacdmh.gov</a>	(213) 738-4725	<b>Department of Mental Health</b> 550 South Vermont Ave. Los Angeles, CA 90020

Attachment A

<b>Tramy Huynh, Interim Pharmacist</b>	<b>(323) 226-8850</b>	<b>Los Angeles County- Probation Department</b> 1605 Eastlake Avenue Los Angeles, CA 90033
<b>Daniel L. Hancz, Pharm.D.</b>	<b>(213) 250-8616</b>	<b>Los Angeles County Department of Public Health</b> 241 N. Figueroa St., B-9 Los Angeles, Ca. 90012

1. This Amendment shall become effective upon Board approval.

2. Paragraph 1, TERM, shall be replaced in its entirety to read as follows:

“This Agreement shall be effective on July 1, 2006 and shall remain in full force and effect to and including June 30, 2012 unless sooner canceled or terminated as provided herein.

In any event, this Agreement may be canceled or terminated at any time by either party, with or without cause, upon the giving of at least thirty (30) calendar days' prior written notice to the other. Further, County may also suspend the performance of services hereunder, in whole or in part, upon the giving of at least thirty (30) calendar days advance written notice to Contractor. County's notice shall set forth the extent of the suspension and the requirements for full restoration of the performance obligations.

Notwithstanding any other provision of this Paragraph, the failure of contractor or its officers, employees, or agents to comply with any of the terms of this Agreement or any written directions by or on behalf of County issued pursuant hereto, shall constitute a material breach hereto, and this Agreement may be terminated by County immediately. County's failure to exercise this right of termination shall not constitute a waiver of such right, which may be exercised at any subsequent time.”3. Additional Provisions, Standard Contract Provisions, Paragraph 38. CONTRACTOR'S WARRANTY OF COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM shall be added and shall read as follows:



“38. CONTRACTOR’S WARRANTY OF COMPLIANCE  
WITH COUNTY’S DEFAULTED PROPERTY TAX  
REDUCTION PROGRAM:

Contractor acknowledges that County has established a goal of ensuring that all individuals and businesses that benefit financially from County through contract are current in paying their property tax obligations (secured and unsecured roll) in order to mitigate the economic burden otherwise imposed upon County and its taxpayers.

Unless Contractor qualifies for an exemption or exclusion, Contractor warrants and certifies that to the best of its knowledge it is now in compliance, and during the term of this contract will maintain compliance, with Los Angeles Code Chapter 2.206.”

4. Additional Provisions, Standard Contract Provisions, Paragraph 39.  
TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN  
COMPLIANCE WITH COUNTY’S DEFAULTED PROPERTY TAX  
REDUCTION PROGRAM shall be added and shall read as follows:

“39. TERMINATION FOR BREACH OF WARRANTY TO  
MAINTAIN COMPLIANCE WITH COUNTY’S DEFAULTED  
PROPERTY TAX REDUCTION PROGRAM:

Failure of Contractor to maintain compliance with the requirements set forth in Sub-paragraph 39 - Contractor's

Warranty of Compliance with County's Defaulted Property Tax Reduction Program shall constitute default under this Agreement. Without limiting the rights and remedies available to County under any other provision of this Agreement, failure of Contractor to cure such default within 10 days of notice shall be grounds upon which County may terminate this Agreement and/or pursue debarment of Contractor, pursuant to County Code Chapter 2.206.”

5. Except for the changes set forth hereinabove, Agreement shall not be changed in any respect by this Amendment.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be executed by its Director of Health Services and Contractor has caused this Amendment to be executed in its behalf by its duly authorized officers, the day, month, and year first above written.

COUNTY OF LOS ANGELES:

By \_\_\_\_\_  
Mitchell H. Katz  
Director of Health Services

CONTRACTOR:

EXP PHARMACEUTICAL WASTE  
MANAGEMENT, Inc. \_\_\_\_\_  
Contractor

By \_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

Title \_\_\_\_\_

APPROVED AS TO FORM  
ANDREA ORDIN  
COUNTY COUNSEL